Investor's Reader

October 11, 1961

see page 20

WARNER BROTHERS PREVIEW

Natalie Wood looks splendid on the lawn of *Splendor In The Grass,* the hotly publicized film on sex and confused teenagers now being released by Warner Brothers Pictures Inc. Warner Brothers hopes to match the lush showing of *Fanny* which in eight weeks at Radio City this Summer grossed $1,432,000, a new record for the movie palace.

Besides *Fanny,* treasurer Thomas J Martin mentions *The Sundowners* and *Parrish* as financial standouts in the year ended August. Warner released 15 movies in that year, four less than in fiscal 1960. In the nine months through May, Warner revenues dipped 4% but profits, aided by "the good job we're doing in keeping costs down," climbed 9% to $4,980,000 or $4.42 a share from $3.05 on fewer shares. But for the August quarter, Tom Martin admits, "the $2,530,000 [$1.65] a share we earned in the final quarter last year will be hard to equal."

Warner also realized a nonrecurring $4,500,000 or $4 a share gain in fiscal 1961 when it sold 1,000,000 shares of Associated British Pictures Corp in April. It still retains a 25% interest. Several times in the past Warner has chalked up even heftier nonrecurring credits: $6.16 a share from the 1956 sale of its pre-1950 films (subsequently acquired by United Artists) and $4.10 a share from the sale of its California ranch in 1959.

Treasurer Martin states: "With quite an amount of cash [roughly $21,-000,000 now] we have been able from time to time to reacquire our stock." Warner Brothers outstanding common has consequently been reduced by just over one-half since 1953 (the year the company spun off its theater chain) to 1,200,000 shares presently. In February however the number of shares is due to expand in a manner pleasing to its 3,700 stockholders, led by president Jack L Warner who owns 22%. They will be asked to approve a 4-for-1 split. The directors of the $76,800,000-assets company are due to act on dividends, currently 30¢ quarterly, "after the split becomes effective." And with all due admiration for Miss Wood, just about Warner's biggest star has been its common stock which trades on the Big Board at 75 or more than double last year's low.

Accepted as controlled circulation publication at Poughkeepsie, New York. INVESTOR'S READER published fortnightly. This issue dated October 11, 1961.

INDEX PAGE

Investor's Reader

No 8, Vol 37 October 11, 1961

BUSINESS AT WORK

MANUFACTURING
Caddie Campaign

THE SITUATION is far too grave for much levity but a recent news item at least provided a wry grin. In line with America's traditional high living standards, the Army is arranging for some of its troops to ride to battle in Cadillacs. GM's Cadillac division has received production contracts for three vehicles it has developed: the T114 armored reconnaissance carrier and two types of self-propelled howitzers.

PUBLISHING
RH Goes Big Board

WHEN Random House Inc joined the Big Board late last month—it opened at 32¼ under the ticker symbol RH—its talented president and leading stockholder Bennett Alfred Cerf was more than pleased. In the Madison Avenue Renaissance Palace behind St Patrick's which houses the literary company he explained last week "it has been a dream of mine to bring a company to this status" ever since working as a clerk on the Exchange back in the Twenties.

President Cerf earnestly pointed out publishing is the "serious part of my life and being known as a TV personality makes me wriggle a bit." However the built-in television audience undoubtedly serves as a prime advertising medium for Random House.

Enterprising Cerf had trained at Columbia College from which he graduated with a BA and a Phi Bete key in 1919, followed it with a Litt B from Columbia's Journalism School the next year. Then after a few years around Wall Street, he and partner Donald Klopfer (now executive vice president of Random House) bought the $200,000-assets Modern Library series of reprints of the great classics in 1925. After a few years the company began to publish some other

books "at random" and in 1936 the name was changed to Random House.

Today the company still is proud of the Modern Library series but also is a major participant in "trade" (general), juvenile, reference and text books. A top moneymaker in the juvenile class is the zany but delightful and educational Dr Seuss series.

The trade book list abounds with bestsellers like Michener's *Hawaii.* As for author Cerf himself, his children's books and *Pocketbook of Jokes* are put out by RH; his other works however are published by Doubleday, World, Harpers, and Grosset & Dunlap. Publisher Cerf declares while trade books are like the "pennant at the masthead, they are the speculative part of the business and like putting on shows, some are hits, some are not." The other types of books are more dependable

Knopf & Cerf make RH positive

and lucrative in terms of income and Random House plans major development in those lines.

Until recently Random House expansion has been steady but quite gradual. Starting in 1960 however growth accelerated. RH established Blaisdell Publishing Company which specializes in science and engineering college texts. It also undertook a flock of acquisitions. By far the most prestigious was old-line (1915 founded) publisher Alfred A Knopf (Alfred A himself is now RH chairman). Other additions to the Random House library include elementary and high school specialist W I Singer Company, juvenile book house Beginner Books and European fiction publisher Pantheon Books. RH also owns 9.5% of Grosset & Dunlap which, aside from being a juvenile and reprint publisher in its own right, owns 70% each of Bantam Books, Wonder Books and Treasure Books.

Unbooked Income

Although books bring in the largest part of RH income, sale or license of subsidiary rights for movies, TV, reprints, etc also bring in a goodly bundle. In the year ending April 1961 these items accounted for $1,040,000 out of a total pretax income of $2,830,000.

Over the past five years sales have not quite doubled to $22,500,000 in 1960/61 while earnings have tripled from $455,000 or 36¢ a share (pro forma) in the April 1957 year to $1,395,000 or $1.11 a share. Following a 4-for-3 split in June there are now 1,280,000 shares outstanding held by 3,000 stockholders, chie

among them president Cerf (19%) and vp Klopfer (14%). The company has yet to pay a dividend.

Random House has never revealed interim figures—though under its Big Board listing agreement it must publish quarterly reports in the future—and Bennett Cerf refuses to comment on results so far this fiscal year. But he is "very optimistic" for the future though he believes "a period of consolidation of the recent acquisitions is necessary to realize the full benefits in earnings."

WALL STREET
KOC Goes O-T-C

SOON AFTER Random House published its first quote on the Big Board (see above), Coca-Cola International Corp common departed from the Stock Exchange. It would hardly be accurate to say the stock and its KOC symbol disappeared from the ticker tape, for KOC had not appeared there to register a trade since December 23, 1957 when 20 shares changed hands at 778. In fact only 30 shares were traded that whole year and a mere 967 shares have been Big Board-traded since 1950. This trading hibernation and the fact only 96,000 shares are outstanding "exclusive of concentrated holdings" (143,000 shares all together) led to the Big Board's removal action.

Despite its high-sounding name, Coca-Cola International has nothing to do with overseas sales of the world's best-known beverage brand. Another source of possible confusion: KOC president is James A Farley, the ex-Postmaster General who since leaving the Roosevelt cabinet in 1940 has become known as the No 1 global salesman for Coke. But this stems from his role as chairman of Coca-Cola Export Corp, a wholly owned subsidiary of the Coca-Cola Company (ticker symbol: KO).

As for Coca-Cola International, it is simply a 1922-formed holding company—a soft drink Christiana Securities, one Wall Streeter calls it—whose principal asset is 3,424,000 shares of Coca-Cola Company. This is one-fourth of total KO stock.

The 676 stockholders of KOC may at any time exchange each of their shares into 24 shares of Coca-Cola (and KO stock of course remains a prominent Big Board listee). But very few ever exercise the exchange privilege even though their quarterly dividends would then total $14.40 compared with the present KOC payout of $13.25.

The reason: Internal Revenue has ruled such exchanges taxable and most KOC holders are of 30 or 40 years standing. Thus their cost base is a small fraction of the present market value. As one indication, KOC's own holding of Coca-Cola stock is worth around $312,000,000, contrasting with an original cost of $2,866,000.

Last week KO was selling on the Big Board at a brisk 91, forty-odd points above last year's low. At this price, each KOC share would be worth nearly $2,200. Actually the only over-the-counter quote available on Coca-Cola International was a nominal 1525 bid, none offered. It seemed a safe bet none would be at any such cut-rate level.

TELEVISION
Wells-Gardner's Garden

FEW OUTSIDERS may have heard of Wells-Gardner Electronics Corp but most folks are familiar with its chief customers. Most prominent is Montgomery Ward which has been a customer since the private-brand TV & radio set company was founded in Chicago 36 years ago by George M Gardner who is now retired in Honolulu and the late Albert S Wells.

Other clients are Western Auto Supply and Gamble-Skogmo, both of whom, Wells-Gardner president Robert S Alexander says, "we put in the radio business 25 years ago." More recent additions to the company's video-radio roster are W T Grant and the AMC department store buying group. Wells-Gardner also sells TV cabinets to Zenith, electronic garage door openers to Sears Roebuck.

This Summer Wells-Gardner began to assemble another major product line, electronic organs. Its first customer is Chicago's W W Kimball Company, a subsidiary of closely held Jasper Corp of Jasper, Ind. Kimball has ordered 1,050 all-transistorized organs on a "market test basis to see how many they can sell." Over a century old, Kimball vends pianos & organs in "most major cities and towns" through its 800 dealers.

Bob Alexander & Al Wells Jr

Consumers Command

Basically dependent on consumer spending, Wells-Gardner managed to raise its first half volume slightly (3.6%) to $9,600,000 but profits slipped a trifle to $416,000 or 48¢ a share from 51¢. Bob Alexander figures in the September quarter "we made up the decrease and our nine-month earnings will be about on a par" with $1.14 a share netted in the similar 1960 period.

The company generally takes 30-to-45 days to complete a repeat order given by the stores and Wells-Gardner has "enough backlog now to assure us of a good October and first half of November." However president Alexander carefully adds the full final quarter results "depend on how our customers' sales go in the next few days." In 1960 Wells-Gardner netted $2.08 a share on $25,340,000 volume.

Candid Bob Alexander who has been with Wells-Gardner for 32 years, the last twelve as president, is more than willing to pinpoint financial details. As of September 18 Wells-Gardner had "shipped a total of $15,600,000." Television sets accounted for three-fourths, radios another 15%. Garage door openers,

cabinets, parts and miscellaneous business added to 8%. A mere 2% of the total volume came from Government orders.

In the early Fifties Wells-Gardner "military sales went as high as $12,000,000 a year" to account for at least half of company volume. They were still important in 1955 when the company's total sales climbed to $26,700,000 and profits peaked to $2.97 a share. However by 1957 "our Government work [radar indicators and proximity fuses] dropped off to almost nothing and we hadn't built up the civilian end." That year Wells-Gardner sales tumbled to $15,700,000, profits to 18¢ a share.

Civilian Assist

Since then the company has concentrated on enlarging its consumer trade and "our civilian sales have expanded from $8,000,000 in 1954 to $25,000,000 today." One booster came in 1956 when Raytheon went out of private-brand TV-radio manufacturing and "we got a lot of their business." However prexy Alexander admits "we would like to get back into the military field," probably on a subcontract basis. Wells-Gardner "is now delivering some guidance system samples to Northrop for its target plane." It also has recently made instrument landing parts for Collins Radio.

Returning to his basic business, Bob Alexander underlines the big private-brand advantage. "It is a low-cost operation. We have no credit or advertising departments and basically no sales department." Wells-Gardner intends to remain a private-brander: "We are not big enough to do the advertising or get first rate distribution on a product under our own name. Others including Hallicrafters and Hoffman have tried to do it and had to get out of it." Wells-Gardner is the top independent in its chosen field; however Sears subsidiary Warwick is bigger. And although "Westinghouse sells a couple of portable TV models to MontgomeryWard," president Alexander cites Trav-ler Radio as his biggest competitor in sales to private brand distributors.

Memo on Margins

The 53-year-old executive feels "we will get back to the $3 a share level in a few years. We won't do it again on our 1955 volume but maybe on $35,000,000." As sales stimulators he mentions electronic organs plus continued growth by its regular customers which Wells-Gardner can meet with its newly acquired 65,000-square foot plant in Chicago.

Financially, as in its product line, Wells-Gardner is largely private-branded. The stock which pays 30¢ quarterly dividends is currently quoted over-the-counter around 27 after an alltime high in the mid-thirties earlier this year. The present price is double the top bid reported in record earnings year 1955.

However the public market is quite thin since there are only 442,000 shares outstanding and one-third is controlled by the Wells and Gardner families. Founders' sons Albert Wells Jr, Grant Gardner and Allan Gardner are all vice presidents and all in their forties.

An additional 15% of the stock is owned by International Telephone &

Telegraph. Early this year Wells-Gardner agreed to supply IT&T's radio & television plants around the world with engineering and manufacturing knowhow (IT&T abandoned the highly competitive domestic TV field in 1956). Wells-Gardner is also selling certain communication components to International Telephone subsidiary Kellogg.

Wall Street has wondered about the relationship but according to an inside report neither party has seriously discussed marriage. But the knowhow agreement appears to function well. A fortnight ago Bob Alexander left for London on IT&T business. So did IT&T president Harold S Geneen.

MANAGEMENT

Incentive Specialist
E F MacDonald Motivates With Merchandise, Travel

WHEN 39 years ago William F Cappel gave Elton Forbes ("Mac") MacDonald a job as stock boy in A Cappel & Son, a Dayton, Ohio umbrella maker and luggage retailer, he unknowingly hired the founder of the merchandise incentive industry. The ambitious young employe advanced to store manager and merchandise buyer within a few months, soon took it on himself to make outside sales calls.

On one of his visits Michigan-born Mac heard the sales-minded National Cash Register Company of Dayton was interested in rewarding deserving salesmen with luggage and other travel goods. He immediately called on other companies in the area to suggest similar campaigns and offer them appropriate sales incentive products.

His reasoning: merchandise incentives motivate people more than cash. His plan: a special price for bulk orders. His first accounts: NCR, Egry Register and Delco Light.

"No one ever came to me," reminisces 61-year-old Mac. "I used to sell all types of goods to pay my way—I even did a big business with undertakers' cases—but I never lost faith in my idea." His idea has paid off handsomely. Since 1922, the vigorous executive notes, "I've sold over a billion dollars worth of goods."

After 15 years as a Cappel & Son division, the incentive sales business was established as a separate partnership called Cappel, MacDonald & Company. Ten years later it was incorporated and after another ten years the Cappel name was dropped in favor of E F MacDonald Company following a merger with two other incentive firms.

Today Mac, the operating head of the business throughout its nearly four decades, is chairman-president of MacDonald, the world's largest creator & administrator of incentive campaigns "designed to achieve the sales and other objectives of its customers."

MacDonald claims it handles three-fourths of the country's incentive business—which incidentally it considers a decidedly growing industry. Sales incentive campaigns have gained in popularity as competition intensified. MacDonald-created campaigns offer salesmen an "extra something for doing something ex-

tra." Through a point system, participants earn merchandise and travel awards in proportion to their performance.

After establishing a desired goal with the client company, the campaign must have "a sound plan of operation, promotion to generate and sustain enthusiasm, a wide variety of awards and effective administrative procedures." It is on the basis of its expert handling of these requirements that MacDonald sells its services. Its creative department advises customers how to establish quotas, present & promote the campaign to participants and conduct the campaign. Of his creative clan, Elton MacDonald boasts: "They have so much talent it dazzles me."

This group also prepares the company's four-color award catalogs which attractively display as many as 1,400 items. While the catalog is "the most important piece of promotional literature used in each campaign," the company also sends follow-up pieces directly to the salesman's home. Vice president & secretary Ray Zulauf explains: "We think of the wife as our assistant sales manager."

Not for Sales Alone

While most MacDonald revenues are earned in sales incentive campaigns, many clients also use incentive plans to promote greater production, less waste, improved service and safer driving. Ray Zulauf points out the success of the American Trucking Association's "Sights on Safety" campaign. He avows: "We can show statistically trucking companies have obtained lower insur-

Billion-dollar seller MacDonald

ance premiums and safer driving through our program. In trucking, small accidents are the big thing."

Although EF MacDonald is a service organization, it "generally charges no fees for its services." It derives its revenues from sale of the merchandise and travel awards earned by campaign participants. Because the company's 18 purchasing experts buy a wide variety of goods at manufacturers' prices, E F MacDonald can offer this merchandise to its customers below retail list. Mac stresses "our whole salvation is volume."

Last year MacDonald conducted over 3,000 campaigns, distributed over 2,000,000 individual merchandise awards and arranged travel accommodations for over 53,000 persons. These activities brought in sales of $53,700,000 for 1960 (which at MacDonald ended retailer-style this January 31) *v* $41,200,000 in

1959. However one-third of this goodly rise came through the May 1960 acquisition of Andrew W Lerios, a San Francisco travel agency whose sales run at an annual rate of \$5,000,000. Profits zoomed to \$1,141,000 or \$1.07 a share in 1960 from \$708,000 or 66¢ the previous year. The earnings more than tripled the 1958 net of \$372,000.

First Half Standoff

For the six months ended July, sales inched up 2% to \$21,400,000. Earnings from operations also rose but after allowing for a 9¢-a-share chargeoff from the liquidation of a Swiss subsidiary, final net was only 14¢ *v* 17¢. Ray Zulauf notes the bulk of participants' orders "comes in during the latter part of the year and peaks around Christmas. Many people will save their points for the larger assortment of prizes at the end of the year."

The 42-year-old executive further explains: "Our business lags behind the business cycle since quite a bit of time elapses between the time we sell the campaign and the time we begin shipping orders." He continues: "We were somewhat affected by the recession but business is picking up now. We feel business will be terrific next year."

While merchandise awards are more profitable, MacDonald's incentive travel business has been growing rapidly. Since travel "was an obvious field for awards," MacDonald began acquisition voyages into this industry in the early Fifties. Travel represented 27% of 1960 sales and the proportion will rise to about one-third for 1961 with Lerios included for the full year and wholesaler Happiness Tours (\$7,000,000 yearly sales) since its acquisition this July. Genial president Mac considers the travel business "sort of the frosting on the cake."

While MacDonald finds customers in most every industry, the largest client group has always been in the auto business (24% of MacDonald's 1960 volume). Merchandising vp Harold D (Brandy) Brandenburg, Mac's first employe, reiterates: "The auto companies were our bread & butter for a long, long time." In the mid-Twenties, he recalls, "after a full day's work Mac would load up his Maxwell with luggage and drive to Detroit to try to convince the automobile people to use his merchandise." In 1927 Buick purchased about \$400,000 worth of prizes—while the incentive organization's entire remaining business that year came to \$200,000. Soon after, a MacDonald office was established in Detroit.

Wider Clientele

Now also important are companies in appliances & accessories (11%), foods (9%), gas & fuel (5%). Sundry other industries partake too. Banking is a field which for MacDonald was "non-existent six or seven years ago" but according to Ray Zulauf it "has taken off like a skyrocket."

MacDonald now operates 21 sales offices in the US, one in Canada and seven in Europe. Foreign business currently contributes 5% of sales and bespectacled Mac enthuses: "We went into foreign operations five years ago and we knew it would take

time. We have a great future there." The globe-trotting executive, just off on a European jaunt, adds: "I'll be disappointed if we don't do 7-or-8% in foreign countries next year." And "barring anything unforeseen, we should do about 30% of our business there within five years. That's my goal."

Super Stamps

Another goal of dynamic Mac and the company is the success of recently organized subsidiary E F MacDonald Trading Stamp Company which is expected to "be in operation by December 1." It features MacDonald Plaid Stamps and a "fantastic" new catalog ("I wouldn't want my name on anything that wasn't the best"). MacDonald hopes to tie in with a supermarket chain in the not-too-distant future.

This is not MacDonald's first stamp venture. Together with Kroger and six regional chains, the company in 1955 founded and had the managerial interest in Top Value Enterprises—now a $100,000,000-a-year company second only to Sperry & Hutchinson (S&H Green Stamps). However in 1957 MacDonald sold its one-third interest. Forthright Mac readily admits "our getting out of the stamp business was my fault. I didn't fully realize how stamps could grow." But now "four out of five women collect stamps" (Mrs MacDonald is an avid collector). With several experienced Top Value top alumni in the MacDonald clan, the incentive firm hopes "to be the best stamp company" in a field which has already expanded to some 300 firms.

Ever since Elton MacDonald made his first sale of incentive merchandise 39 years ago, he has maintained a close relationship with his employes who presently number "over a thousand." Mac proudly comments: "No one can be taken off the payroll unless I personally approve it." Along with a generous profit sharing program, MacDonald in 1959 initiated its own employe vacation incentive plan.

Lately MacDonald incentive has turned to inviting public stockholders into the tightly held corporation. In May selling stockholders offered 275,000 of the 965,000 B shares at 19. In the five months since, more than 3,000 MacDonald stockholders have watched their over-the-counter stock nearly double to 36. The limited number of public shares, however, leaves the market obviously thin.

Even with all the expansion of both activities and stockholdings, there is little question MacDonald will remain a MacDonald operation. Ownership of the 100,000 Class A shares is limited to Mac and his family. And each Class A share has ten votes to one for the regular common.

MANUFACTURING
Otis Elevates Parking

ONE BLOCK due west of Times Square "the world's first fully automatic parking garage" will open for business within the next two weeks. A single cashier-attendant will by the turn of a key park and unpark 270 cars with nary a dent.

The eight-level garage has some lofty backing. Both ground and

Otis automotive key club

building are owned by Columbia University. The equipment was manufactured by elevator king Otis Elevator. The idea itself was developed by Huntington Hartford-financed Speed-Park Inc together with Otis.

Mechanical parking is not new; for instance Spokane's Pigeon-Hole Parking (IR, Jan 3, 1951) reports 50 of its elevator-operated machines installed to date. Speed-Park lays claim to a completely automatic system which can handle any type vehicle, "whether three, four or six wheels." Only the tires come in contact with the equipment.

The motorist merely drives onto one of two parking stations, turns off the motor and walks to the control desk. This features a console with a single keyhole and 270 numbered keys, each representing a parking stall on the upper levels. The attendant selects a key and inserts it into the keyhole which "reads the key." He then removes the key (which is given to the motorist as a parking receipt). The removal automatically starts an individual parking meter and initiates the parking cycle.

An elevator near the parking station extends a fork lift conveyor to bring the car to the elevator which then takes the car to the proper floor where it is automatically transferred to the parking stall. When the motorist returns, the attendant inserts his "parking receipt" into the keyhole. This activates the unparking cycle, automatically computes the parking fee, flashes the amount on a screen and provides a printed receipt.

The 42nd Street garage is the first of many installations planned by patent owner Speed-Park which says its system can also be integrated within office and apartment buildings or under streets and parks. Speed-Park will construct and market the complete garage facilities while Otis has an exclusive contract to manufacture, install and maintain all the automatic equipment and controls.

Lighter Touch

Otis treasurer Harry Fardwell comments on the new endeavor: "We are adapting our heavy hand to something lighter." Nevertheless, he notes, "we are sticking to our lasts: manufacturing & maintenance."

Otis has always stuck rather close to its main business. Three exceptions: 1) an eight-year-old electronics division which does \$5-to-6,000,000 worth of Government business; 2) bowling machines—it made pinsetters for Brunswick until a year

ago and now turns out another pinsetting device for substantially smaller Bowl-Mor Company of Littleton, Mass; 3) the 1954-acquired Baker Industrial Truck division which also produces material handling equipment. This division made its first profit in 1960, "will make another this year." Harry Fardwell thinks "we're on the right track now," especially with "our side-loading fork lift truck. It's a natural adjunct for us since basically it is an elevator on wheels."

Larger Lead

In a field of 200 producers, Otis Elevator presently has about half of all domestic elevator & escalator business (Westinghouse is a distant second). Conversion of existing elevator installations to automatic service has given the 108-year-old company renewed vigor. Treasurer Fardwell feels "this year will be as good as or better than last year for modernization." Business should remain good since Percy L Douglas who was promoted to president & chief executive in April estimates conversion of existing facilities will not be completed for 15 years.

Even greater stability is provided by the large volume of service & maintenance contracts which "have turned out to be the backbone of our company" according to soft-spoken Harry Fardwell. They now total about $45,000,000 a year and are "going up at a rate of 10% a year."

The 8,250,000 shares of Otis common have also gotten quite a lift over the years. From an adjusted high of 10 in 1951 "OT" stock escalated to 80½ in July 1961, presently trades around 70.

Elevator executive Fardwell allows "we run on a cycle more or less of our own. Short recessions don't bother us. Long ones do." Last year billings were off 8% to $209,000,000 but this stemmed largely from phase-out of Brunswick pinsetter production by September and a third quarter strike of New York elevator construction workers.

Nevertheless net profits improved slightly to $24,310,000 or $2.95 from $2.91 a share, thanks to greatly increased dividends from its 17 foreign subsidiaries and associated companies. In the first half of this year billings declined 9% and despite a further boost in foreign dividends earnings dipped to $1.03 a share from $1.40.

Year's Lag

Harry Fardwell states sales are presently "running better than last year" but expects full-year income to fall "10-to-15% below 1960." The Bowl-Mor bowling equipment business will not contribute much this year but Harry Fardwell feels quantity production should add "significantly" to 1962 billings.

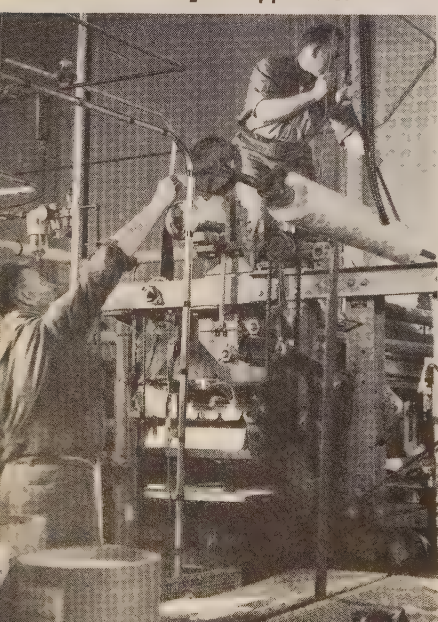
Further enhancing the outlook for the nearer future is a husky backlog of unbilled contracts, a "truly important figure for us" inasmuch as "our business is a long one." In June unbilled contracts stood at $154,700,000, "up several million over the same time in 1960." Thus, treasurer Fardwell points out, Otis "activity would be high for the next year and a half even if we never booked any more business."

LUMBER
Plywood Presses On

WHILE THE sidewinds of hurricane Esther (see page 15) drenched the sidewalks of New York, about 50 of US Plywood Corp's 10,000 stockholders crowded into a small conference room of the "Weldwood" building, a West 44th Street structure named after the company's sturdy tradename. Their purpose: the annual meeting of the world's largest distributor of plywood—known simply as PLY on the Big Board. Up front sat US Plywood chairman S W "Tony" Antoville and president Gene C Brewer.

Husky Tony Antoville had just flown in from Miami where he had addressed the fraternal lumbermen's association called Hoo-Hoo. He started the meeting: "I am happy to report earnings in the first (July) quarter of the new fiscal year registered 96¢ a share *v* 83¢." This reversed the recession downtrend which sawed earnings almost in half to $6,610,000 ($2.55 a share) in the April 1961 year from $5.10 a share in fiscal 1959/60. Sales which had dipped 7% to $256,000,000 in 1960/61 also recovered nicely in the July quarter and went on to a new monthly record of $26,000,000 in August.

Permagard applicator



One direct factor in last year's slump was falling fir plywood prices caused by overproduction. Prices had fallen from $72 a thousand board feet at the beginning of 1960 to $60 earlier this year, then stabilized between $64 and $68 this Summer. While there has been some new weakness of late and the company itself expects "no rise" in the near future, it also does not expect to suffer the inventory losses which cost about $1,200,000 last year.

All told Tony Antoville counts on earnings for the year to remain at the level of the first quarter. Volume however is expected to reach a new record and "approach the $300,000,000 mark."

While plagued by price weakness and profit squeeze, chairman Antoville cited such offsetting factors as improved economic conditions and greater emphasis on quality building materials as "housing becomes more & more a discretionary item with people rather than a necessity." He also noted houses use more plywood—a trend he thinks will grow. In 1950 builders used 400 square feet of plywood in the average house; last year usage had budded to 2,600 square feet.

Well-groomed president Gene

Brewer then took over and enumerated several PLY developments which should augment sales & earnings. First he pointed to the expansion of facilities accomplished by the May acquisition of Western Plywood Ltd in western Canada. That "completes an integrated manufacturing and distributing organization similar to what we have in the U S."

Next he cited the new $3,500,000 Novoply plant in South Boston, Va. Opened in May, it was already in the black in August. With a capacity of 60,000,000 square feet the new plant gives PLY the title of the world's largest particle board producer. It should increase annual volume at the distribution level by $7,000,000.

Gene Brewer also spoke hopefully of two new PLY products: colored Weldwood outside-finish exterior sidings and a plastic wood coating called "Permagard." The latter product is described as "the first economical application of a clear film to a plywood surface for longer wear without destroying the warm appearance of the wood."

Nevada Luxury

To experiment with the use of old and new PLY products the company has joined with San Francisco developer Sherrill Broudy to design and finance a luxury resort project at Lake Tahoe in Nevada. It will consist of two-story apartments on a 3,000-foot lake-front plot.

The 48-year-old president also reiterated PLY's intention to work for high volume on standard items, improve raw materials and exploit the home siding and farm market. It will also engage in vigorous promotion campaigns including a plywood-industry-sponsored TV program. It aims at recovering markets taken over by the well-advertised aluminum companies.

After this summary of efforts to provide for a prosperous future, Gene Brewer concludes: "While we have made strides in efficiency, we don't anticipate a return to normalcy because there is no normalcy."

CONSTRUCTION
Ferro Recovers

ON A FLYING visit to Manhattan last week Ferro Corp president Henry Thomas "Harry" Marks paused for an up-to-date review of his company. Ferro is the No 1 producer of porcelain enamel frit which goes into appliances and plumbing fixtures. The company also makes glazes for brick, wall tile. The doldrums which becalmed the appliance, plumbing and construction industries also caused Ferro sales & earnings to drift downward for five consecutive quarters from Spring 1960 through this June. As a result, first half sales were off 9% while profits skidded far more sharply to $1.29 a share from $2.11.

However tall, distinguished Harry Marks reports an encouraging turn: third quarter volume topped last year's period and earnings for the quarter are estimated around 90¢ a share *v* 53¢. Full-year profits should reach $3, "mais ou menos," as former Brazilian plant manager Harry Marks puts it. This would come close to last year's $2,500,000 or $3.13 a share though well below the $4.45 of 1959.

Ferro's washable-walled house

Harry Marks credits the recent sales improvement to the pick-up in appliance demand. Ferro has not experienced a similar rise in fiberglass which president Marks had expected to outsell frit this year (IR, Aug 3, 1960). The poor fiberglass performance is blamed on the disappointing season experienced by small boat builders. However Harry Marks looks for better results in that market next year. And for more solid footing, Ferro is seeking to diversify its fiberglass sales by developing demand in the building industry. Example: fiberglass corrugated sheet roofing.

The frit division also seeks new uses for its wares. It has found one in ceramic-coated automobile exhaust mufflers which were introduced on the 1961 Ramblers; they have been retained on '62 models. They are also used for replacement mufflers. The advantage of such mufflers is their resistance to corrosion.

Another new porcelain enamel product developed by Ferro is a building panel for home construction. These two-inch thick panels sandwich a plastic insulation between inner & outer walls. Ferro says homeowners can thus bid goodbye to painting both inside & out. The inner walls can be washed easily, the outside walls only require an occasional hosing.

Ferro last year built a Research House near its Cleveland headquarters using its porcelain enamel panels and a fiberglass roof. The house was conceived by Ferro as simply a prototype to illustrate the possible home uses of some of its products. However Harry Marks mentions a Cleveland builder is currently erecting a $20,000 house with porcelain enamel walls outside Cleveland; it will be for sale along with other houses in the development.

Harry Marks feels the future holds "quite a good possibility for rapid growth. Our business is heavy in the building field and new family formations are expected to hit a peak around the mid-Sixties. This will give us a large amount of business."

Here & There

The Canadian-born executive allows Ferro is "looking at a couple of acquisitions in the US and another in Europe" but insists "we are not trying to diversify outside our own field."

The increased interest in operating abroad is understandable since Ferro's operations in Britain, Holland and Spain have been highly profitable. So have its foreign subsidiaries and affiliates in Latin America and elsewhere. Last year, while domestic sales were down 9%, foreign sales reached an alltime high of $24,500,000 and accounted for two-fifths of consolidated sales. Net income from overseas mounted to $1,593,000 or 62% of Ferro's total earnings.

Hurricanes Blow Down Insurance Profits

Fire & Casualty Companies Brace For A Rash Of Big Damage Claims

WITH HURRICANES Carla and Esther barely out of the headlines, some 4,000 insurance adjusters last week were totting up millions of dollars in damages—almost all from Carla. The latest reports show total property damage may run as high as $250,000,000, which is a pile of money but far below earlier gale-inflated estimates of half a billion. Insurance companies estimate their own losses at less than $100,000,000 and perhaps closer to $75,000,000. In any case it will be weeks or months before claims are settled and insurers know the full cost.

Carla-caused payouts will be far behind the record $173,000,000 insurers disbursed in 1950 as a result of windstorms in the Northeast. They will probably not approach the losses of $129,000,000 from Hurricane Carol in 1953, the $122,000,000 from Hazel in 1954 and, adjusters hope, Donna's $100,000,000 last year.

Nonetheless Carla will leave marked impact on insurers. Although most large fire & casualty companies last year had but 2½-to-7% of their underwriting risks in Texas and a still smaller percentage in the hurricane-damaged area, the storm may push second half underwriting results into the red. This comes atop a first half in which most fire & casualty insurers showed large underwriting losses due to excessive fires and violent Midwest tornadoes.

For instance, Home Insurance had an underwriting loss of $9,590,000 for the first half of 1961. Income from investments was only $8,630,000, leaving operating results almost $1,000,000 in the red. Great American had an $8,980,000 underwriting loss and investment income of $6,050,000. Firemen's Fund showed a first half underwriting loss of $6,120,000 but investment income was up to $7,700,000. Continental Insurance with a $17,300,000 underwriting loss had income from investments of $22,100,000 and was well in the black with net operating income of $4,700,000. For the full year many insurers may show underwriting losses but investment income will often put them in the black.

Adjustment Speed

Insurance adjusters are trying to settle claims fast. Some are writing checks on the spot because "it's good public relations," as one adjuster noted. There are some hints the insurance companies are beginning to think adjusters are getting a bit too enthusiastic in this spot-checking. One New York area insurance agent reports: "I personally know seven executives of various insurance companies who've flown South for a look. That's never happened before."

One problem facing all adjusters is explaining to home owners their fire & casualty policy usually does not cover high tide or flood damage. There are some policies with proportionately higher premiums which protect property from flood damage. These include motor vehicles insured under a comprehensive auto policy;

WIDE WORLD

Battening down for the storm

merchandise in transit or on consignment and insured under marine floaters; bridges, tunnels, dredges, contractor equipment, jewelry, furs and certain objects of art which are insured under inland marine "all risk policies;" and personal property such as yachts, tugs, etc insured under a personal property floater.

Industry lost less than homeowners for the sound reason of preparedness:

- No 2 chemist Union Carbide reports all three of its Texas plants "began orderly shutdown procedures three days before the hurricane struck." The Brownsville plant remained in operation throughout the storm; the Seadrift operation close to the eye of the hurricane reported "negligible damage;" the Texas City facilities "sustained slight damage from wind-driven tides." As one Union Carbide official comments: "We have an elaborate hurricane program which enabled us to anticipate trouble."
- At Monsanto's Texas City plastic installation, plant manager John Chamberlin explains: "We have an emergency procedure manual, two inches thick. We literally went through the entire two inches, used every procedure except the last page about abandoning the place. The interesting thing is that it worked." Monsanto reports damages at Texas City "were minimal." The company's new $75,000,000 petrochemical complex abuilding at nearby Chocolate Bayou (IR, August 30) sustained no hurricane damage.
- Freeport Sulphur's offshore and land sulphur mining operations "weren't affected by the storm"—it luckily passed west of Freeport's facilities.
- Also out of the storm's path was Texaco's large refinery at Port Arthur. Losses there are estimated at a "negligible $20,000." However there was about $200,000 in oil well damage and $130,000 in service station damage but "just about all are covered by insurance."
- Armco's Sheffield Steel had flood damage at its Houston integrated steel mill but the ill wind caused greater flood damage inland at its Kansas City plant. An Armco official reports "wind damage at Houston was covered by insurance but of course the flood damage at Kansas City was not covered."
- Allied Chemical's Orange, Texas plant "experienced winds of only 30 miles an hour and had no damage."
- Hardest hit of the chemical group was Dow's Freeport installation. One

company official notes: "We were hit very hard by the storm." Losses are estimated at $1,000,000 in production plus another $1,000,000 patch-up. But actual damage may be higher since the water reached four feet in many of the plant's 1,600 acres. Also damaged was the Dow-operated Government water desalting plant at Freeport (IR, May 10).

In essence the greatest storm loss sustained by industry was a week's setback in production.

Exact losses may never be totaled, especially for such things as flour in warehouses, rice in the fields or cattle on the range. Secretary Frederick Westervelt of the National Board of Fire Underwriters comments: "In some areas * * * adjusters can't get in because of typhoid danger and rampant rattlesnakes."

Dayton P&L Views Vertical Growth

Ohio Utility Expects Business From Urban Renewal, More Kids

SURVEYING downtown Dayton and the surrounding south-central Ohio countryside from the windows of his spacious, wood-paneled, ninth-floor office, Dayton Power & Light Company president James Merton Stuart focused his sights on a more distant point: the City of Dayton in 1980. With a vast urban renewal program scheduled over the next 20 years, the cordial executive optimistically views "very intensive vertical growth" for his area.

Vice president & treasurer Josiah V Colley enthusiastically fills in: "Work is proceeding very rapidly. Some 700 acres have already been cleared in East Dayton" for new apartments, stores, industry, streets and playgrounds. The civic-minded executive notes clearance "is about to start on the West Side now" and will provide nearly a thousand acres of land for new industry. Also, part of the central business district will be redeveloped to include apartment houses, an arena-convention center, a government center as well as new office buildings, motor hotels and an area for light industry.

Both president Stuart and vice president Colley are active members of the Dayton Chamber of Commerce. But along with the civic interest, Josiah Colley points out "all these plans will bring added power requirements." He illustrates: "High-rise apartments make elevators necessary; elevators need electricity." With new state and interstate expressways linking Dayton with other industrial cities, James Stuart sees greatly increased street and roadway lighting. An example: "One long Main Street [about 60 miles] between Columbus and Dayton."

President Stuart also boasts his service area "is the fastest growing in Ohio. The average family 20 years ago numbered four but today five or even seven children in one family is not unusual." Since "we can't see anything to shut off the population explosion," the 56-year-old president feels "the company's

7-to-8% a year compounded revenue growth will either be maintained or increased."

Electricity accounts for about 60% of DPL (Big Board symbol) revenues. The company sends its juice to 278,000 customers in 24 Ohio counties. Residential & rural business, which provides the "largest profit margin we have," brings in 42% of electric revenues. Commercial business accounts for 23% while an industrial mix of "700 large & small accounts" yields another 20%. The remainder comes from Government installations including Wright-Patterson Air Force Base, home of the Air Materiel Command, as well as municipal street lighting.

The utility also has 204,000 gas customers, mostly in the immediate Dayton area. This part of the business brought in 38% of revenues last year, two-thirds of it from residential users. The large domestic percentage pleases Josiah Colley: "We sell a preferred fuel at a preferred rate to residential customers."

Prexy Stuart (l) and stockholder

Both "gas and electric systems are in excellent condition." The $42,000,000 modernization of the Frank M Tail generating station—named after the 88-year-old honorary chairman and longtime leader of the company (IR, June 27, 1956)—which was completed two years ago raised capacity of the utility's two interconnected steam plants to 770,000 kw. A third generating station on the Ohio River near Manchester will be built "when the load growth indicates it is needed." So far the system's gross peak load was 687,000 kw right after Labor Day. The $344,000,000-assets company also maintains interconnections with Ohio Edison and Cincinnati Gas & Electric and "we are actively studying power pool arrangements with others."

Practically all DPL gas is purchased from the Columbia Gas System's Ohio Fuel Gas Company which has received FPC permission for several rate raises over the past six years. Dayton Power in turn requested gas rate increases in the communities it serves. Boosts were granted by a number of communities but the key case with the City of Dayton dragged on till the Ohio Public Utilities Commission last year fixed a rate rise including a purchased gas adjustment clause which would automatically compensate middleman DPL for any future hike by supplier Ohio Fuel. Both DPL and the City have appealed to the Ohio Supreme Court which is expected to rule before the end of this year. However DPL has been able to collect the

authorized increase which comes to $1,500,000 a year on a firm basis.

Some $300,000 of this rate grant helped boost total DPL revenues to $96,000,000 in 1960, up 7% over 1959 and 115% over 1950. Earnings in 1960 rose almost 4% from 1959 to $10,992,000 or $1.11 a present share. The previous high was 1956 when some $400,000 in nonrecurring interest income lifted profits to $10,-970,000—equal to $1.27 on fewer shares. In 1950 earnings were 32¢. Operating revenues have continued their rise and in the twelve months ended August topped $100,000,000 for the first time in DPL history. Earnings are also up, reached $1.23 a share in the same period, 13% above the previous year.

Stockholder Share

DPL's 18,000 stockholders shared in the upswing with a 3-for-1 stock split this Spring. The 9,000,000 shares now trade close to an alltime high of 28. Following the split directors set the dividend at 22¢ quarterly, 10% above the rate paid for the preceding four years. Regarding further dividend increases, president Stuart comments: "We will do it when we earn enough to pay it and maintain it at the rate we set."

To prepare for the future, Dayton Power pursues an extensive construction program which has already brought total plant investment "well over" the $300,000,000 mark. Expenditures dropped from $32,400,-000 in peak construction year 1957 to $16,770,000 last year and around $13,900,000 in 1961. However the forward-looking utility plans to boost spending to $17,500,000 next year and again to $21,000,00 in 1963.

DPL also supports various research projects on fuels for the future. Along with 14 other companies, it is a member of the East Central Nuclear Group which was formed to build a 50,000 kw reactor plant. Although the AEC this May canceled the agreement to build an experimental plant in Polk County, Florida because of "technical and economic uncertainties," the group is "considering" other projects.

While nuclear energy does not now produce electricity for DPL, its electricity helps produce nuclear energy. DPL is a participant in the nine-year-old Ohio Valley Electric Corp which supplies power for the AEC's U-235 plant at Portsmouth, Ohio (IR, Sept 8, 1952).

DPL is also one of the twelve utilities working with Avco on the magnetohydrodynamics (MHD) research project. Briefly stated, MHD involves the forcing of hot gas through a magnetic field and producing electrical power directly from heat (IR, Dec 9, 1959). MHD is also being researched as a propulsion source for space vehicles. James Stuart notes MHD offers "lots of possibilities for the future but it will need a lot of work." He adds DPL plans to be in "on the beginnings of all these exotic changes in energy."

Daytonian Stuart hastens to comment: "We also support research in the use of coal because it is one of the fundamental fuels." Notes vp Colley: "Atomic power will be feasible where coal is scarce. However, don't forget we are right on top of the Appalachian coal reserves."

Chrysler Girds For The Future

A New Management Group Works to Restore Lost Profits and Prestige

THE MAN on the cover faces one of the most complex and challenging jobs in US corporate history. He is 42-year-old Lynn Alfred Townsend and he has been president of troubled Chrysler Corp since July 28 of this year. Lynn has been with Chrysler only four years although he worked with the company's accountants for ten years. Size is not might but Lynn has a pair of broad shoulders and a six-foot, 200-pound frame.

As part of the background, former Chrysler chairman & president Lester Lum "Tex" Colbert told 850 anxious stockholders at Center Line, Mich this April: "There has been a campaign of harassment against your management which we believe has no equal in the recent history of American business * * * The adverse effects on your company and its sales have been real and substantial."

The radiator had boiled over in June 1960 when William C Newberg was fired as Chrysler president just two months after his election. It was discovered he held interests in Chrysler suppliers. Before or since several Chrysler officials quit under fire. To compound the troubles, some countersuits have been filed.

The election of Lynn Townsend came as a surprise even to the auto bigwigs who hobnob at the Detroit Athletic Club or the swank Bloomfield Hills Country Club. Before Lynn's election, the air was full of Chrysler presidential candidates. Among them were Ed Cole of Chevrolet, Jim Wright of Ford, Don Mitchell of General Telephone and Roger Kyes of GM. Because many people (especially Chrysler dealers) believed a "big name" was needed, Ike and Dick were entered in the rumor race.

Even after Lynn's election there were enough rumors to prompt the corporation to send an official letter to all stockholders and the press stating the new president was "not a stop-gap arrangement." Three weeks ago company directors elected George Hutchinson Love as chairman and chief policy officer and Lynn was given the additional title of "chief administrative and operating officer."

Love Direction

George Love is 61 and a tough-minded Pittsburgh industrialist who is a long-time friend and colleague of equally tough-minded George Humphrey, former Treasury Secretary under Ike. George Love has been a Chrysler director since 1958. To make room for his added Chrysler duties he has resigned as chairman of the potent M A Hanna Company and as executive committeeman of National Steel. But he will remain as chairman of Consolidation Coal (biggest in the world) as well as director of such assorted mighty enterprises as General Electric, Mellon National Bank, Pullman and Union Carbide.

The newest management alignment apparently means George Love and

---

COVER: New Chrysler president Lynn Townsend views the future over the deck lid of a 1962 Imperial.

WIDE WORLD

Policymaker Love

his powerful executive committee (of which Townsend is a member) will set top policy and Lynn will make sure the assignment is completed. One of the important new committees controls compensation and the "outside" directors who serve on it have a job ahead—at last report former boss Tex got $260,650 annual pay, Lynn got $60,400 and George got zero. Detroiters say George Love will continue at no pay and thus label it a "Labor of Love."

The official board of directors announcement in late September stated "this completes the senior top management of Chrysler Corp." The seniors must solve some formidable problems to insure Chrysler's future. The major problems are:

- Employe morale.
- Dealer morale.
- Customer opinion.
- Regular profits.

Fortunately for employes and stockholders alike, the new management group has an unusually large amount of assets on hand. Chrysler is the seventh-largest US industrial company and during its 36 years has accumulated total assets of almost $1.4 billion. Despite a loss of $15,700,000 in the first six months of this year, it has net working capital of $445,000,000 including $336,000,000 cash and equivalent.

Even during the months of harassment the company felt secure enough to cancel a $150,000,000 revolving credit with over 100 banks across the US. It still owes $250,000,000 to Prudential Insurance on notes due in 2054 but convertible by either party after next January into 20-year notes due in equal annual instalments. As a financial sidelight, the insurance company declined a seat on the board when the loan was made in 1954 and still has no representation. However Prudential keeps very close tabs on Chrysler affairs through personal visits, regular reports and telephone calls.

Chrysler's production facilities include 73 plants, factories and labs in the US and 20 outside the country. Some 65% of all operations are in high-cost Detroit where the company is the No 1 employer with 50,000 workers. In the past decade it has spent nearly $900,000,000 on plant and equipment exclusive of the special tooling characteristic of the auto business. This money has bought such things as the ultra-modern $30,000,000 stamping plant in Twinsburg, Ohio, reputedly one of the most pleasant and efficient in the world (see picture). As a result of this investment, Chrysler states "our capital outlays will be much lower in the years ahead."

Cheerful, bright working conditions may help employe morale but are hardly a complete answer. The

very first line in a cover story on Chrysler in the March 8, 1954 issue of INVESTOR'S READER read: "Confidence and morale are intangible and ephemeral things."

Production line morale has been hurt by the top level rhubarbs coupled with erratic work schedules and a drop in total Chrysler employment from 136,000 in 1957 to 82,000 at the start of 1962 model production. Because they are closer to the scene of action, the white collar workers are perhaps even more bewildered and confused. This was aggravated by a severe (and needed) reduction of 7,000 white collar jobs in the past 18 months. Says the company: "This lowered the ratio of salaried to non-salaried payrolls and has made us more competitive."

An ephemeral problem is not solved with a blowtorch or a blackjack. Assuredly there has been some improvement because of the obvious efforts to clean house with the new management team of an experienced older outsider and an agile young insider. Already there are better "internal lines of communication" plus the admission everything is not hunky-dory. If nothing else, many employes now feel the worst is behind. A new company slogan proclaims: "Fix what's wrong, keep what's right and move ahead."

The "What's Ahead for Chrysler" ad which recently ran in newspapers across the country apparently has been effective. A Salt Lake City reporter for *Automotive News* surveyed 100 "men in the street" and reported in the September 25 edition: "I showed this ad to three construction workers near Bozeman, Mont:

"One said, 'I've never been a Chrysler man but I'm glad that they're going to keep on making cars. It's like the Democrats and the Republicans. We need 'em both to keep things in balance.'

"The second one said, 'Never thought about them being 'people,' I

guess. I knew they weren't cast iron or chrome but they never seemed human. I like this. You know I'll just give them a whirl with a '62.'

"The third one said, 'This probably is a lot of bull but they're getting hot. We need some car maker that thinks about guys like me. I'll watch the outfit.' "

The dealer problem is written in statistics—Chrysler has 6,100 dealers today *v* 10,600 nine years ago. To sell eight lines of cars (including the French Simca) plus Dodge trucks, Chrysler Corp has fewer dealers than Chevrolet with 7,100 and Ford's Ford division with 6,800. Many Chrysler dealers recall when they worked for the No 2 auto company before Ford passed them in the early Fifties. They also know Chrysler once had over 20% of the domestic auto market but got only 11% in the 1961 model year. The ratio is edging up.

To pep up the dealers, Chrysler sales chief E C "Ed" Quinn and then newly appointed administrative vice president Lynn Townsend worked several months early this year to personally visit 4,500 dealers. In Detroit last month Ed Quinn said: "We're sure the trip did a lot of good. It was the first time most of them had ever seen Lynn." Although it was only a few months ago, there were very few hints at the time Lynn would be the new president.

Surveying the dealer roster, Ed Quinn predicted: "By the end of this year we hope to add 900 dealers net. We'll lose them where we're over-dealered and add them where we're under-dealered."

Efforts to establish better communications with dealers are beginning to click. New York Dodge dealer representative George Tunis says: "What I got out of the last meeting was that we have really established communication with the factory. We know what's going on and what is planned for the future, and we can tell other dealers what the score is. The factory has proved that they have an open mind."

Los Angeles dealer Jess Meyers stated: "The time spent here was very worthwhile and we can take back the message that the factory is really interested in the dealer and has come up with a great new line."

Philadelphia dealer Charles Bott said: "The 1962 line was a complete surprise, particularly Plymouth, and I expect to triple my sales."

Cater to Customers

The question of customer opinion was stressed at this year's stockholder meeting. No doubt the well-publicized problems of Chrysler have frequently caused a new car buyer to balk or a car owner to squawk where otherwise he would have acted as the typical US customer.

For decades Chrysler basked in the public impression its cars were best engineered regardless of what they might lack in styling ("a sedan must be high enough so a man can wear his hat"). Starting with the "forward look" Chrysler cars have been adequately re-styled and presumably the engineering is as good as ever.

Chrysler is a major corporation but its profit record is crumpled—starting with 1950 it lost money or earned barely 1% on sales in seven of eleven years. Detroiters say the

company will just about break even in 1961—perhaps a little better. The highest earnings since peak years 1949 and 1950 came in 1957 when profits reached $120,000,000 or 3.4% on sales and $13.75 a share.

As far back as the 1957 annual report the company wrote of "better operating efficiency and cost controls." These words are now being put into action. The reduction of 7,000 white collar workers is credited to president Lynn who issued the orders and made them stick. Meanwhile every foreman, shop superintendent and factory manager has been told to cut costs, cut waste, up efficiency, up quality.

Cost control is the forte of president Townsend who washed dishes at the Theta Delta Chi fraternity house to help pay his way through the University of Michigan. He graduated in 1940 and the next year added a master's in business administration. Then he went to figures with the accounting firm of Ernst & Ernst. The Navy grabbed him to handle more figures as disbursing officer on the carrier *Hornet*. He returned to E & E, later joined Touche, Ross, Bailey & Smart which audits Chrysler. He became a partner of the accounting firm. In 1957 he shifted to comptroller of the auto company and one year later was elected group vice president in charge of all Chrysler operations outside the US.

Lynn is a family man who likes to water ski and follow the (mis)fortunes of the Detroit Tigers with his wife Ruth and three sons aged 11-to-20. All things considered his $40,000, eight-room home in Bloomfield and stakes at cribbage are modest. He plays golf now & then at Oakland Hills Country Club; fittingly enough he is chairman of the finance committee for Kirk-in-the-Hills Presbyterian Church.

Chrysler efforts at economy already have bumped into a national trend: a record number of 400 new car models with uncounted items of optional equipment, trim, colors, upholstery, smog controls and whatnot. This has been called the "consumer urge for variety" or "the year of multiplicity." As recently as April 1961 Chrysler reported "the process of simplicity * * * since our 1959 models, the number of trim combinations has been reduced from 563 to 388." Now things are reversed and one official forecasts: "The urge for variety must eventually conflict with the urge for economy." He talked mostly on the consumer level but the same point applies to the company itself.

Investor's Reader Staff

Anne Gregory, *Editor of Issue*
Marguerite Beer
Barbara Buehrig
Betsey Casey
Jane Keen
Gail Sullivan
Maryjane Tanahey
Norma Walter
Fred Weymuller

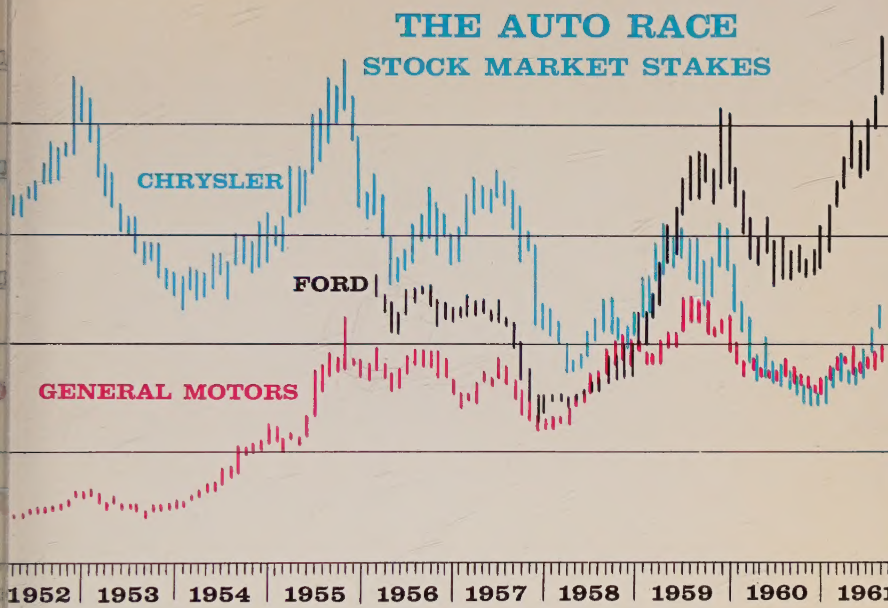
Production
Carol Trick, *Artist*
Joyce De Mauro
Annette Miller
Ann Genovese

Henry R Hecht, *Managing Editor*
LA RUE APPLEGATE, *Editor*

Contributors

Russ Baker, *Louisville*
Elmer Danielson, *New York*
Seth Fichet, *Cleveland*
George Humm, *Dayton*
Richard King, *Detroit*
Dr Frances Stone, *New York*

When you move, please send both old address (as imprinted on back cover) and new one directly to Western Printing Company, Poughkeepsie, NY



THE FIRST PORTION of this chart was printed in the INVESTOR'S READER of January 21, 1959 when the Big Three auto stocks were all bunched at the 50 level. At that time the leading performer was GM which had "suffered least in what was a bad auto year [1958] for everyone but the small car boys" and whose stock was virtually back to its 1955 alltime high.

The standout performer since then has been Ford which recently has been above 100 and one of the most active stocks on the Big Board. Ford has gained a bigger share of the US auto market; its Falcon leads the compact car field. Current news items include touchy labor negotiations, a $100,000,-000 merger with Philco and loud rumors of an increased cash dividend and a stock split.

Chrysler has been depressed by the management problems outlined in the story which begins on page 20. This internal wrangling has helped cause a sharp decline in the company's share of the market and the number of its dealers. The recent upsurge in the stock may reflect investor interest in the new management set-up.

The price action of General Motors reflects the adverse impact of the GM-duPont case. In mid-September Merrill Lynch underwriting head Winthrop Lenz told the Senate Finance Committee: "Since the divestiture hearings in December 1958, GM stock has declined 6% while the Dow Jones averages have risen 26% and Ford 92% * * * The logical conclusion is that the poor market performance of this sound company was caused by the financial uncertainties generated by the divestiture proceedings."

WHAT'S NEW?

Aren't you glad you went to school when you did? Every year there's more material for students to master—more history to absorb, more science to learn, more books to read.

The situation in the stock market is much the same. Every year new companies are formed, older companies are listed, new stocks are issued, and mergers and spin-offs occur. As someone once commented, the status is never quo in the market. Change is the norm.

Keeping up with all these changes is a full-time job, not for one person but for a whole staff. That's why we maintain a Research Department, one of the biggest and best in the business—to keep our account executives posted on important new developments and to help investors choose suitable securities and keep their portfolios in the pink.

If you've never invested before but would like to do so now, it might be prudent for you to talk with one of our well-informed account executives about your situation and your plans for the future. And if you already own securities but haven't thought much about them lately, why not ask our Research Department to review your holdings in the light of your objectives—and recent changes in the market?

There's no charge or obligation for investment help and information, but we're frank to admit that if you decide to do business at all, we hope you'll do it with us.

Published by
MERRILL LYNCH, PIERCE, FENNER & SMITH
INCORPORATED
70 PINE STREET • NEW YORK 5, N. Y.

Accepted as controlled
circulation publication at
POUGHKEEPSIE, N. Y.

Please send address changes and undeliverable
books to Western Printing Co., Poughkeepsie, N. Y.
(Return Postage Guaranteed)